

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	127.99	128.58	+0.71	▼3.30
EUR	1.0830	1.0822	▼0.0008	+0.0092
AUD	0.6977	0.6955	▼0.0013	+0.0043
SGD	1.3185	1.3212	+0.0024	▼0.0093
CNY	6.7107	6.7382	+0.0372	▼0.0337
INR	81.53	81.62	+0.28	▼0.75
IDR	15050	15045	▼104	▼523
MYR	4.3171	4.3175	▼0.0175	▼0.0568
PHP	54.60	54.60	▼0.30	▼0.53
THB	32.95	33.07	+0.20	▼0.36

*compared with previous day CLOSE(NY)

Govt Bond Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	3.504%	+0.0 bp	▼2.9 bp
JPY (10YR)	0.527%	+1.5 bp	+2.2 bp
EUR* (10YR)	2.175%	+0.7 bp	▼5.3 bp
AUD (5YR)	3.345%	+0.3 bp	▼13.8 bp
SGD (5YR)	2.770%	+4.1 bp	+3.6 bp
CNY (5YR)	2.732%	+5.3 bp	+8.4 bp
INR (5YR)	7.168%	+3.5 bp	▼5.0 bp
IDR (5YR)	6.471%	+4.3 bp	▼7.3 bp
MYR (5YR)	3.794%	+2.9 bp	+3.5 bp
PHP (5YR)	5.939%	▼10.5 bp	▼52.0 bp
THB (5YR)	1.924%	+1.6 bp	+0.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,302.61	+0.00%	+2.34%
N225 (JP)	25,822.32	▼1.14%	▼0.58%
STOXX 50 (EU)	4,157.00	+0.15%	+2.17%
ASX (AU)	4,302.91	+0.27%	+1.93%
STI (SG)	3,283.60	▼0.31%	▼0.67%
SHCOMP (CN)	3,227.59	+1.01%	+1.62%
SENSEX (IN)	60,092.97	▼0.28%	▼1.08%
JSE (ID)	6,688.06	+0.70%	▼0.00%
KLSE (MY)	1,493.56	▼0.10%	+0.01%
PSE (PH)	7,045.48	+1.35%	+3.76%
SET (TH)	1,684.86	+0.19%	▼0.37%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	275.91	+0.00%	+2.71%
COPPER (LME)	9,088.19	▲0.88%	+2.89%
IRON ORE (CN)	120.51	▲2.49%	+2.10%
GOLD	1,916.02	▲0.22%	+2.36%
OIL (WTI)	79.86	+0.00%	+7.01%

Three Take-aways:

- 1) Martin Luther King holiday in the US shifts spotlight to China and BoJ; as markets consolidate.
- 2) Abysmal China GDP/data will be overlooked, but overdone China cheer remains a latent bugbear.
- 3) Ahead of BoJ decision tomorrow latent JPY and JGB volatility reflect policy tensions.

Kicking the Tyres on China Cheer

- With US markets closed overnight for Martin Luther King Day, fresh US/Fed cues are scant. So, markets are set to obsess over "China turnaround" trades and the BoJ's impending dilemma.

- Specifically, **kicking the tyres on China exuberance is arguably warranted**; given the sheer force of bullish bets trafficking in "re-opening cheer" and 180-degree policy stimulus turn (led by property and tech) to get all hands on deck to boost the economy.

- But not because the **Q4 China GDP release** (alongside the month barrage of activity data) is set to be dismal. In fact anything but.

- Fact is, **rolling lockdowns in Q4 flipping to ultra fast-track re-opening** has left markets not accepting Q4 activity/GDP as a write-off; but instead **embracing this "front-loaded" pain on the road to "herd immunity" to super-charge economic revival down the road**.

- So, despite a QoQ contraction in Q4 GDP (as industrial activity flat-lines), with full-year 2022 set for sub-3% (recession territory) GDP print, markets will be focused on prospects for 5+% momentum for 2023 taking shape after a bumpy Q1 acclimatizing to "living with COVID".

- Nevertheless, **iron ore prices in China being knocked back as CNY gains are being pared**, not only reflect caution about Chinese regulators tightening the noose on speculative froth; but is arguably also **kicking the tyres on bona fide private sector confidence**.

- Sweeping policy stimulus for economic expediency is one thing, whereas comprehensive policy commitment that inspire bona fide private sector confidence is quite another.

- And this transition, if so intended, has some way to go. Until then, "China cheer" may be an opportunistic bull trade that is subject to bouts of reality checks along the way.

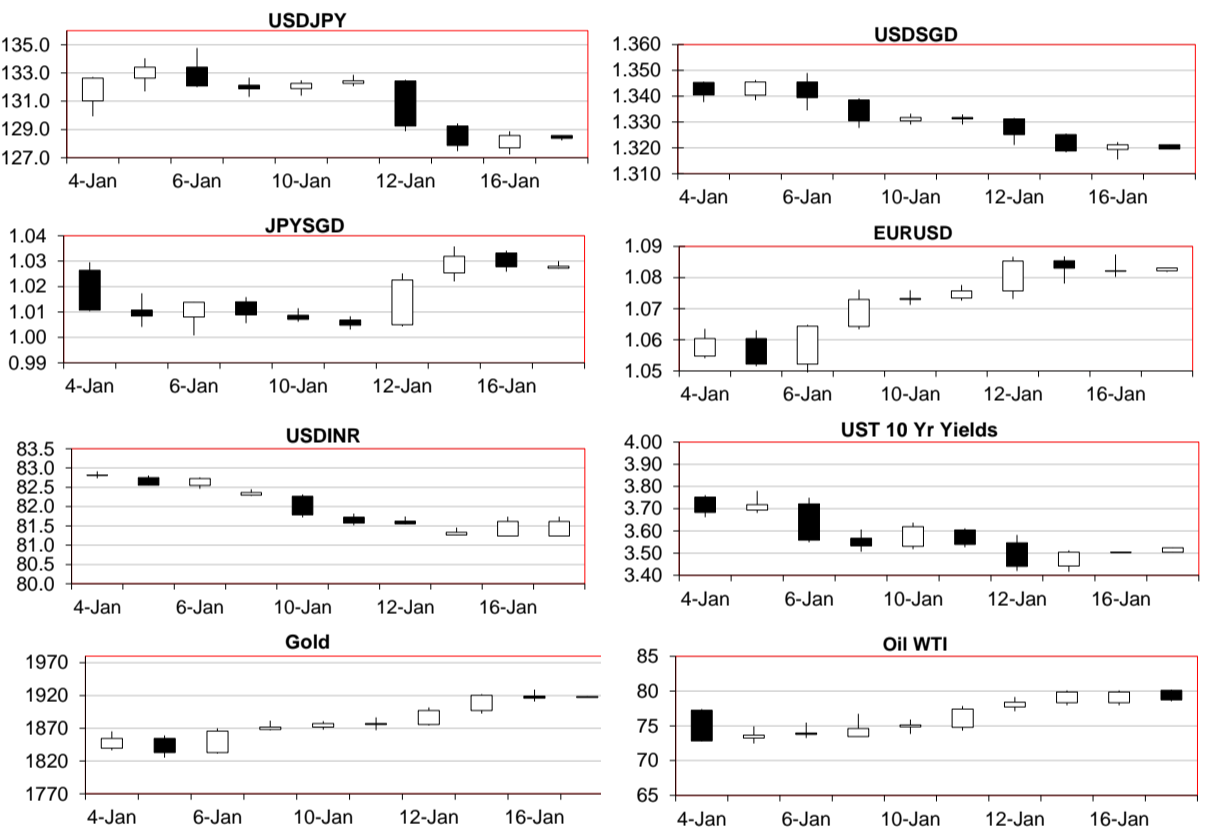
- In FX land, CNY bulls rejected at 6.70 stalls bullish momentum is rippling out. EUR is off 1.09-test, AUD has slipped back below 0.70 while sub-1.32 USD/SGD is has proven shallow.

- JPY bulls fired up by hawkish BoJ speculation have also taken a step back from sub-128 tests.

OVERNIGHT RESULTS

(JP) Machine Tool Orders YoY (Dec P): 1.0% (Nov: -7.7%) | (IN) WPI YoY (Dec): 5.0% (Mkt: 5.5%; Nov: 5.9%)

* Past Two Weeks Movement *



TODAY'S COMMENTS & FORECAST

Open

USD/JPY	128.33	EUR/USD	1.0830
USD/SGD	1.3201	USD/THB	33.04
JPY/SGD	1.0287	USD/MYR	4.318

Forecast

USD/JPY	127.20 - 129.60
EUR/USD	1.0750 - 1.0920
AUD/USD	0.6910 - 0.7030
USD/SGD	1.3160 - 1.3270
JPY/SGD	1.0154 - 1.0432
USD/CNH	6.7180 - 6.7630
USD/INR	81.40 - 81.85
USD/IDR	15000 - 15280
USD/MYR	4.310 - 4.345
USD/PHP	54.45 - 55.15
USD/THB	32.85 - 33.35

Today's Direction

	Bull	Bear
USD/SGD	2	4
USD/JPY	2	4

BoJ: Between a Rock & a Hard Place

- Ahead of the decision tomorrow, the **BoJ remains in a bind**; and the JPY is accordingly coiled up with tension. Since the surprise widening of the YCC target band (from +/-0.25% to +/-0.50%) in December, which **effectively acted as a hike in YCC target**, markets have been testing the upper bound in anticipation of further tightening (defacto or explicit).

- Whereas Governor Kuroda has not only **pushed back against perceptions of hawkish a shift**, but **doubled down on dovish stance**; with **significantly increased purchases of JGBs** (with record daily JGB purchases over recent sessions) to defend the YCC target.

- This however leaves the BoJ with two challenges. **First**, the burden of having to lean against bets on materially higher JGB yields; requiring enlarged JGB purchases, **which entail more pronounced balance sheet risks** as well as **market liquidity issues**.

- **Second**, is elevated JPY volatility. Since the last BoJ meeting, JPY is up over 7% (leading G10 FX) and could swing even more (either way) depending on policy triggers.

- While JPY backstop from the worst of Q3 2023 sell-off is welcome, the **BoJ would not want excessive JPY gains** either. And so policy cues and action need to be finely-tuned.

- If Governor Kuroda's assertions hold, we ought to **expect a hold for now, with a more data-dependent calibration being signalled** ahead of Governor Kuroda's end of term in April.

- **But a surprise move to tweak YCC or end negative rates will not shock** us either. Given inherent pressures from global policy divergence, this is a matter of time and/or execution.

FX Daily Outlook

- EUR/USD: With no fresh impetus and perhaps some caution creeping in 1.09 test is deferred.
- USD/JPY: Latent volatility build; but in absence of large USD cues 127-129 consolidation likely
- USD/SGD: China caution at the margin keeps 1.31-target at bay.
- AUD/USD: Softer iron ore prices amid China caution may keep air above 70 cents thin.

TODAY'S EVENTS

(SG) NODX/Electronics YoY (Dec): (Mkt: -16.0%/--; Nov: -14.6%/-20.2%) | (CH) Ind Pdtn YoY (Dec): (Mkt: 0.1%; Nov: 2.2%)
 (CH) GDP YoY/QoQ/YTD (Q4): (Mkt: 1.6%/-1.1%/2.7%; Q3: 3.9%/3.9%/3.0%) | (CH) Retail Sales YoY (Dec): (Mkt: -9.0%; Nov: -5.9%)
 (CH) Fixed Assts ex-Rural/Property YTD YoY (Dec): (Mkt: 5.0%/-10.5%; Nov: 5.3%/-9.8%) | (JP) Tertiary Industry Index MoM (Dec): (Mkt: 0.1%; Nov: 0.2%)
 (GE) ZEW Survey Expectations (Jan): (Mkt: -15.0; Dec: -23.3) | (US) Empire Manufacturing (Jan): (Mkt: -8.6; Dec: -11.2)
 Central Banks: ECB's Centeno & Muller speak | Fed's Williams speaks

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